

Warning Puts Curb on Cut Price Joys
Bankers and Leaders in Industry Emphasize Need for Country to Go to Work.
SISSON GIVES HIS VIEWS
Fears Harm Through Credit Control—Gave to Cut Steel Costs When Possible.

Bankers and discriminating business men generally issued yesterday a pointed warning to a public inclined to kick up its heels and exult over price cuts, that economic readjustments are not brought about by main strength. Men whose business it has been to make a scientific study of the phenomena of the past week and there is danger that the public is being led to expect too much in the way of price relief—too much in too brief a period of time. They said the facts have shown down to this situation:

1. There has been exaggeration and overstatement relative to price reductions. In some cases of special goods, particularly luxuries and women's fashions, there have been heavy cuts; but in standard articles the reductions, actually, have been moderate, ranging from 10 to 20 per cent.

2. This state of affairs, brought about by half a dozen leading factors—the squeezing of credits by the Federal Reserve Board, the limiting of buying by a gouged public, the seasonal desire of merchants to clean their shelves, the plight of many jobbers who didn't realize that war conditions would not endure forever—may continue if the government continues to apply its power and if labor ceases its unrest, gets down to work and begins to produce.

Country Must Go to Work.

The latter "if" is the big one. It is what the conservative thinkers in industry and business have in mind when they warn the public not to get too gay about the price cuts of the past few days. Prices will stay down, a number of observers emphasize, only if the country goes to work, otherwise the present pleasant variation, probably abnormal, cannot possibly last, and prices may be expected to climb back to about where they were before something happened to the merchant. Among those who commented on the situation yesterday was Frank H. Sisson, vice-president of the Guaranty Trust Company. He said:

"The chief danger in the present situation is that the desire for low prices as an end in itself may be so exaggerated as to lead to an attempt to force prices down through harmful measures for the control of credit. Facing these many problems, all clamoring for reduction, it is commonly understood, as the paramount issue of the day, that the public must realize that the increased quantity of currency have played in increasing the cost of living through increasing the purchasing power, it seems to me far more essential to inflate our deflated supply of goods than to deflate inflated currencies. The crux of the whole problem may be held to be to gradually decrease the supply of money and credit, and at the same time increase the supply of goods through properly balanced production."

Great Need in Many Lines.

"There are signs of a fundamental change in the business outlook to-day. Merchants are more hesitant in response to marked reduction in demand for various articles. This influence shows in the tendency to reduce the prices of goods awaiting consumption. How far this will go in reducing the physical volume of goods to be produced depends upon the degree to which the curtailment of demand is merely a reaction against high prices."

"There is still a great need in many lines. The deferred maintenance of railways, railway equipment and manufacturing machinery is still prominent among the factors that should make a substantial increase in production in 1920 over that of 1919. Thus far also

the foreign demand for American goods is being maintained to a remarkable degree. Gradually, however, European customers are shifting their demands from manufactured articles to raw materials. In the meantime our exports of merchandise may exceed our imports, for we are creditors to the extent of several billions and we must expect to be paid largely with goods."

"At the same time we have a national industrial capacity much in excess of that existing before the war. It would seem inevitable that as the unproductive demand becomes satisfied some curtailment of production in various lines of industry must be expected. The effect which productive capacity made idle for lack of markets would have upon the business and financial situation of the country of course must necessarily involve a tendency toward lower prices, but also of course at the expense of our general prosperity."

Expects Gradual Readjustment.

"As yet there is no immediate prospect of a violent readjustment of production and a drastic drop in prices. But there is opportunity for gradual readjustments. The credit structure is sufficiently elastic to make possible an orderly reduction of prices if the means at our disposal are wisely used."

"Moreover, we should not overlook important factors which will tend to hold up prices. Among these is a world shortage of necessities; Government expenditures which still continue on an extravagant scale; excessive taxation; the very serious lack of railroad equipment, which is interfering and will continue to interfere with the transportation of crops, raw materials and manufactured goods; shortage of labor, especially on the farms, and unfavorable crop prospects."

"There seems to be no question that under readjustment the credit employed in such undertakings. Beyond this, however, there is a distinct danger in attempting arbitrarily to reduce general prices by curtailing credit to business undertakings."

Gary Sees No Need of Upheaval.

Judge E. H. Gary, in response to a request by the Brooklyn Eagle, had this to say about the situation: "I think the action taken by the officers of the United States Steel Corporation in advocating a reduction of steel prices in December, 1919, and again in March, 1920, followed by a strict adherence to those reduced prices, will influence decreased prices on the part of other manufacturers. Also I believe if this is accomplished the steel manufacturers will be disposed to make other concessions when and as costs of production permit."

"I believe a general reduction of prices can be brought about without a convulsion in business. I do not think reductions in wages should precede general reductions in selling prices. Wages are now very high in comparison with the selling prices of many commodities."

Karl D. Ithier, president of the American Sugar Refining Company, returned this answer to the question as to how the price of sugar could be brought down: "By increasing production of raw sugar, and by eliminating speculation."

To the question: "Can a general reduction of prices be brought about without a convulsion in business?" he replied: "Yes. By reducing consumption. By this means."

Merchants continued to advertise price reductions yesterday, some statements offering articles at one-third off, some at a quarter off. It was noted, however, that there is no come down in the price of food.

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"There is a vicious circle operating. Each factor contributes and the combination makes another factor. The fundamental is the waste of war, but I place a good deal of emphasis on the psychological situation. People seem to be standing on their heads, for example, things have been turned to them. When people come to their senses and realize that they must work and produce the evaluation will contribute more toward reduction of costs than any other single thing."

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BLAME WILSON FOR YEAR OF INFLATION
G. O. P. Platform Designers Do Not Criticize War Policy, Only Continuance Now.
DELAYS NORMAL REVIVAL
Little or No Regulation for Business, Except That Tending Toward Monopoly.

Responsibility for continuing the policy of inflation, by means of which the war was financed and which has been one of the chief causes of the high cost of living, was placed upon the Wilson Administration in the report of the subcommittee on banking and currency of the advisory committee on policies and platform of the Republican National Committee, made public last night. Frank A. Vanderlip was chairman of the committee.

No opinion was expressed as to the wisdom or lack of judgment of the policy as a war measure, the committee said, but its continuance after the signing of the armistice laid the Administration open to severe criticism.

These consequences have followed, it was stated:

"It has caused great injury through the consequent rise in the price of goods and services that entered into living costs."

"It has greatly increased the cost of the war."

"It has caused serious loss to purchasers of Liberty bonds, who were led to believe that these bonds were investments which, considering their gift edge character, were offering fair market rates of interest."

"Continuation of the low Federal reserve discount necessary to sustain the Administration's borrowing policy for a long time after the armistice gave rise to excessive speculation during the year following the close of the war. It caused further expansion, weakened our gold reserve position and needlessly delayed the time of the return to more stable economic conditions. It is in no small degree responsible for the widespread feeling of insecurity that at present pervades our economic life."

The subcommittee on regulation of commerce and industry in its report said:

"Opinion seems clear that any increase in equipment and in output in any line of business which is accompanied by a tendency toward monopoly calls for a considerable amount of regulation, but that a mere increase in physical equipment and in volume of output, with no tendency toward monopoly, does not call for regulation. There seems to be little doubt that public opinion supports regulation of public utilities."

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A MASTERPIECE
"Search earth and sky and you will find that only once has Nature set out to make a food—something which exists in order to be a food, and for no other purpose," writes Dr. C. W. Saleeby.
Having made only one effort in this direction, Nature has turned out a masterpiece—Milk.
At CHILDS, Nature's masterpiece is noted for its purity and richness.

An adult needs a pint of milk a day. Drink it with your meals at

Childs

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ORANGE MARMALADE

RAILWAYS BACK TO WAR TIME SYSTEM
Continued from First Page.

tion" and that the roads are hastening to comply.

"We have had this plan in mind for some time," said Mr. Mantel, "and now that the order has been issued, we are going to make the best of it. The railroads will make every effort to cooperate in expeditiously clearing away the freight congestion."

Meanwhile continuous complaints are being received from merchants and manufacturers, and industry is facing part suspension from lack of fuel and raw materials. The Merchants Association reported yesterday that the longshoremen's strike is being shipped and there will be a serious shortage of bags at harvest time.

The Knickerbocker Bag Company says it formerly shipped an average of from 10,000 to 250,000 pounds of freight daily; now it has been obliged to cease shipping over the coastwise steamship lines because of the longshoremen's strike and what little freight it can ship by rail is held up for days. Other business bag companies make similar reports.

The Foreign Commerce Club, with 700 members, has written to the Merchants Association offering cooperation in the drive for better transportation conditions.

PRICE CUTTING WAVE SPREADING TO FOODS
Sugar, Corn Quotations Break—Cereals Feel Reaction.

Influenced by the widespread price cutting movement, the principal commodity markets of the United States have begun to mark down quotations. Cotton, sugar and corn options broke sharply yesterday here and in Chicago. Cereals and provisions, including pork, also reacted. This is the first pronounced break in high priced foodstuffs.

Heavy selling in sugar futures broke prices a cent a pound, the full maximum decline permitted in one day's trading on the sugar exchange.

Federal and State authorities continue their fight against profiteers in foodstuffs. Hyman Resler, a wholesale retail grocer, was indicted by the Federal grand jury on eight counts charging sugar profiteering. He furnished 2,000 bushels.

At Trenton a United States marshal seized 22,000 pounds of sugar alleged to have been hoarded in the store of the Federal Bakery Company. At the same time the manager of the store, Homer Winfield, was arrested on a charge of embezzlement. Knowledge of the sugar is denied by the company.

RAILROADS ATTACK WAGE SCALE SYSTEM
Say 'Crack Run' Brakemen Are Refusing Promotion.

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An instance was cited to show that under the mileage system of paying trainmen a conductor with a run in New Jersey now receives \$216 a month, while the full union demands were granted he would receive more than \$200 a month.

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"Price cutting now is a healthy indication instead of an unhealthy one," he said, "but the public must realize that it cannot continue in all lines of merchandising for the rest of the summer. Brokers, wholesalers and retailers in various lines are announcing price cuts. When the broker or wholesaler reduces prices then the retailer may do likewise. However, from the manufacturers comes the word that prices are not being reduced and, according to present indications, will not be, at least immediately."

BANKERS PUNCTURE THE COTTON BUBBLE
Slump Due to Withdrawal of Funds.

MANCHESTER, England, May 21.—The sensational slump in the price of Egyptian cotton during the past three days in Manchester and Liverpool is said to have been largely due to speculation in Alexandria, Egypt, and the refusal of bankers longer to finance speculative transactions. The latter contingency, it is asserted, compelled speculators in Alexandria to realize on the best obtainable terms.

Control of the Egyptian cotton crop by the British and Egyptian Governments was removed in 1919, when the price of the Egyptian staple was sold at three pence per pound. It rose by leaps and bounds to eight shillings three pence per pound in February owing to the tremendous demand in the United States for making the fabric for motor car tires. To-day, with the price at four shillings six pence, heavy sales continued and the belief in the cotton market was that the worst was not yet over.

Sir Alfred Herbert Dixon, chairman of the cotton control board, referred to the tremendous overcapitalization of the Lancashire cotton mills and said he could only compare the movement to the South Sea bubble and declared that the day of reckoning would come.

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Heavy selling in sugar futures broke prices a cent a pound, the full maximum decline permitted in one day's trading on the sugar exchange.

Federal and State authorities continue their fight against profiteers in foodstuffs. Hyman Resler, a wholesale retail grocer, was indicted by the Federal grand jury on eight counts charging sugar profiteering. He furnished 2,000 bushels.

At Trenton a United States marshal seized 22,000 pounds of sugar alleged to have been hoarded in the store of the Federal Bakery Company. At the same time the manager of the store, Homer Winfield, was arrested on a charge of embezzlement. Knowledge of the sugar is denied by the company.

SAYS PRICE CUTS CANNOT CONTINUE
Merchant Declares Manufacturers Block Reduction.

Special to THE SUN AND NEW YORK HERALD.—CHICAGO, May 21.—Until textile mills reduce prices on cotton cloth and clothing and shoemakers cut prices on their finished articles retail price cuts now being announced in all parts of the country will not be permanent, according to the general manager of one of the State street department stores.

"Price cutting now is a healthy indication instead of an unhealthy one," he said, "but the public must realize that it cannot continue in all lines of merchandising for the rest of the summer. Brokers, wholesalers and retailers in various lines are announcing price cuts. When the broker or wholesaler reduces prices then the retailer may do likewise. However, from the manufacturers comes the word that prices are not being reduced and, according to present indications, will not be, at least immediately."

BANKERS PUNCTURE THE COTTON BUBBLE
Slump Due to Withdrawal of Funds.

MANCHESTER, England, May 21.—The sensational slump in the price of Egyptian cotton during the past three days in Manchester and Liverpool is said to have been largely due to speculation in Alexandria, Egypt, and the refusal of bankers longer to finance speculative transactions. The latter contingency, it is asserted, compelled speculators in Alexandria to realize on the best obtainable terms.

Control of the Egyptian cotton crop by the British and Egyptian Governments was removed in 1919, when the price of the Egyptian staple was sold at three pence per pound. It rose by leaps and bounds to eight shillings three pence per pound in February owing to the tremendous demand in the United States for making the fabric for motor car tires. To-day, with the price at four shillings six pence, heavy sales continued and the belief in the cotton market was that the worst was not yet over.

Sir Alfred Herbert Dixon, chairman of the cotton control board, referred to the tremendous overcapitalization of the Lancashire cotton mills and said he could only compare the movement to the South Sea bubble and declared that the day of reckoning would come.

DAVISON BLAMES PEOPLE FOR PRICES
Cure, Banker Contends, Will Result From Same Cause as Disease: Human Nature.
ORGY OF EXTRAVAGANCE
U. S. System of Taxation Also Boosts Costs, He Tells Lusk Committee.

It is the judgment of Henry P. Davison of the firm of J. P. Morgan & Co. that a "vicious circle" in which human extravagance, human psychology and the national state of mind are important factors have brought about the habit of high costs from which the country seems only now to be recovering, and that human nature, rather than legislation will in its own good time effect the cure.

Mr. Davison was a witness yesterday before the Lusk committee of the Legislature. The committee called Mr. Davison as a witness because in addition to being a banker he has been in close touch, through his war work with those conditions which are supposed to have a connection with high prices both in this country and abroad.

"It is human nature," said Mr. Davison in his testimony, "to arrange, however if you can, that the other fellow shall pay the bill."

He was asked if he thought the tax laws passed in the middle of the year had a tendency to increase costs and prices.

"I think," he said, "that human nature is the answer, but I would emphasize that I think our system of taxation has had a decided effect."

"I think principally there has gone on an orgy of extravagance which of course has had an effect upon prices."

After a number of questions relating to banking credits and the maintenance of standing on their heads, for example, Mr. Davison reverted to his original statement as to human nature and high cost.

"There is a vicious circle operating. Each factor contributes and the combination makes another factor. The fundamental is the waste of war, but I place a good deal of emphasis on the psychological situation. People seem to be standing on their heads, for example, things have been turned to them. When people come to their senses and realize that they must work and produce the evaluation will contribute more toward reduction of costs than any other single thing."

"As to the cure, I am not competent to express any worth while opinion as to legislation. But it is my belief that the situation is not curable by legislation. I believe it cannot be reached by any patriotic or voluntary forces, but in its own time will find its own corrective."

PACKER PREDICTS SHORTAGE OF MEAT
T. L. Wilson Says Lack of Cars Forces Curtailment.

Special to THE SUN AND NEW YORK HERALD.—CHICAGO, May 21.—Thomas L. Wilson, president of the Institute of American Meat Packers, in behalf of nearly two hundred companies in various parts of the United States to-night issued this statement:

"Reports received to-day at the institute from several sections show that some plants may have to shut down on account of the lack of cars. Other plants have been forced to effect a 50 per cent. curtailment in the production of meat, and some of these are on the point of stopping operations entirely. No packer owns enough refrigerator cars to take care of his own business. The larger packers are compelled to rely on railroad owned cars for 25 to 35 per cent. of their requirements, and the smaller packers depend largely on the common carriers."

"Ordinarily the necessities of the packing industry are recognized and filled in order to protect the consumer. But the Interstate Commerce Commission has diverted to other uses a considerable share of the quota usually assigned and urgently needed to move meat. As a consequence labor is being laid off and the quantity of livestock dressed is being reduced. Unless this condition is bound to follow. The producer, who is already losing money, will suffer from a restricted market for his meat animals. The packing industry, confronted by reduced operations and a continuance of high charges, also will be hurt. From every standpoint the situation merits speedy remedy."

CUBA FOR REVISION OF SUGAR VALUES
President Menocal Sends Cable to Senate Subcommittee.

Special to THE SUN AND NEW YORK HERALD.—WASHINGTON, May 21.—The Government of Cuba has notified the Senate subcommittee on sugar that "it would gladly welcome a complete readjustment of the entire schedule of values," that demands and of speculators have brought about the present excessive high prices and that there still remains in Cuba something like 1,500,000 tons of sugar, although last year's crop was much less than expected because of a long drought.

The Cuban declaration came in a cablegram from President Menocal of the Cuban Republic, dated May 14, and made public today by Senator McNary (Or.), to whom it was addressed. It is not regarded as an overture toward resumption of negotiations to sell the remainder of the Cuban crop to the United States on bloc in the hope of stabilizing conditions. President Menocal believes it is now too late to do any good in that way.

The suggestion of selling sugar and have the Government dispose of it at prices that would compensate owners for actual cost and reasonable profit has been repeatedly made in Congress lately and a proposal to embargo exports is also pending. The Senate subcommittee is still gathering data preparatory to pressing the programme looking to bringing down the price. Senator McNary believes there is not a great deal of hoarding by interests that want thereby to force further price advances.

Writ Denied 40 Alleged Radicals.

YOUNGSTOWN, Ohio, May 21.—Writ of habeas corpus were refused to forty alleged radicals held in jail here for deportation as members of the Communist party of America.

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RAILROADS ATTACK WAGE SCALE SYSTEM
Say 'Crack Run' Brakemen Are Refusing Promotion.

Special to THE SUN AND NEW YORK HERALD.—CHICAGO, May 21.—The system of basing the wage scale of trainmen on the wages of the lowest-paid workers was attacked today by E. T. Whittier, representing the railroads, at a hearing before the United States Railroad Labor Board.

Mr. Whittier said that owing to this system the roads and the brotherhoods had great difficulty in persuading some workmen of "crack runs" to accept promotion and become conductors. This is caused by the slight differential between the pay of the conductors and brakemen.

Mr. Whittier advocated basing the pay of trainmen on that of conductors and calculating the brakemen's pay on the conductor's rate. He said that this would result in a fair wage scale would be arrived at for all trainmen.

An instance was cited to show that under the mileage system of paying trainmen a conductor with a run in New Jersey now receives \$216 a month, while the full union demands were granted he would receive more than \$200 a month.

To Rescued French Orphans.

INDIANAPOLIS, May 21.—The American Legion to-day inaugurated a campaign for the redemption of approximately 2,000 of the more than 2,700 French children whom the American expeditionary forces cared for during the war.

PRICE CUTTING WAVE SPREADING TO FOODS